MACKINAW TOWNSHIP CHEBOYGAN COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2005

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Local Gove	er P.A. 2 of 19 ernment Type Towl			Allage	- Cther	Local Governme)		County Cheboy	gan
City Audit Date		nsnip		Opinion Da	te	Mackinaw	Date Account	ant Report Submi	tted to State:	Oneboy	yan
accordan	audited th	e St	tatemer	nts of th	nts of this	mental Accou	unting Stand	dards Board ((GASB) and tl	n financial staten he <i>Uniform Rep</i> ent of Treasury.	nents prepared orting Format f
We affirm											
1. We h	nave comp	ied v	with the	Bulletin	for the Au	dits of Local U	Jnits of Gov	emment in Mid	<i>chigan</i> as revis	ed.	
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	er affirm the ts and reco				sponses h	ave been disc	closed in the	financial state	ements, includi	ng the notes, or	in the report of
You must	check the	appl	icable l	box for e	ach item b	elow.					
Yes	√ No	1.	Certair	n compo	nent units/	funds/agencie	es of the loc	al unit are exc	luded from the	financial statem	ents.
Yes	√ No	2.		are acci 1980).	umulated o	deficits in one	e or more of	this unit's un	reserved fund	balances/retaine	ed earnings (P.A
√ Yes	☐ No	3.	There amend		ances of	non-complian	ce with the	Uniform Acco	ounting and B	udgeting Act (P.	A. 2 of 1968, a
Yes	✓ No	4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.									
Yes	✓ No	5.	The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).								
Yes	√ No	6.	The lo	cal unit h	nas been d	lelinquent in d	listributing ta	x revenues th	at were collect	ed for another ta	axing unit.
Yes	√ No	7.	pensio	n benefi	ts (normal	costs) in the	current yea	ar. If the plan	is more than '	24) to fund cur 100% funded and aid during the yea	d the overfundir
Yes	✓ No	8.		ocal unit 129.241)		lit cards and	has not ad	opted an app	licable policy	as required by I	P.A. 266 of 199
Yes	✓ No	9.	The lo	cal unit h	nas not add	opted an inve	stment polic	y as required l	by P.A. 196 of	1997 (MCL 129.9	95).
We have	enclosed	i the	follow	ing:					Enclosed	To Be Forwarded	Not Required
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Reports	on individu	al fe	deral fi	nancial a	ssistance	programs (pro	ogram audit	s).			✓
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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 14, 2005

Township Board Mackinaw Township Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Mackinaw Township*, *Cheboygan County*, *Michigan*, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of *Mackinaw Township*, as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 1 through 3 and 21 through 25, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2005 totaled \$388,674 for governmental activities. Of the total, \$150,644 represent capital assets, net of depreciation.

Revenues derived from governmental activities were \$135,612 (all were general revenues). Overall expenses for the Township's governmental activities were \$97,434.

The Township has no outstanding debt nor were any capital assets purchased during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2005.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

The activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the township board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains three individual governmental funds; General Fund, Liquor Fund and Improvement Fund; all, which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets

The Township's governmental activities net assets increased \$38,178 during the year, to total \$385,459.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

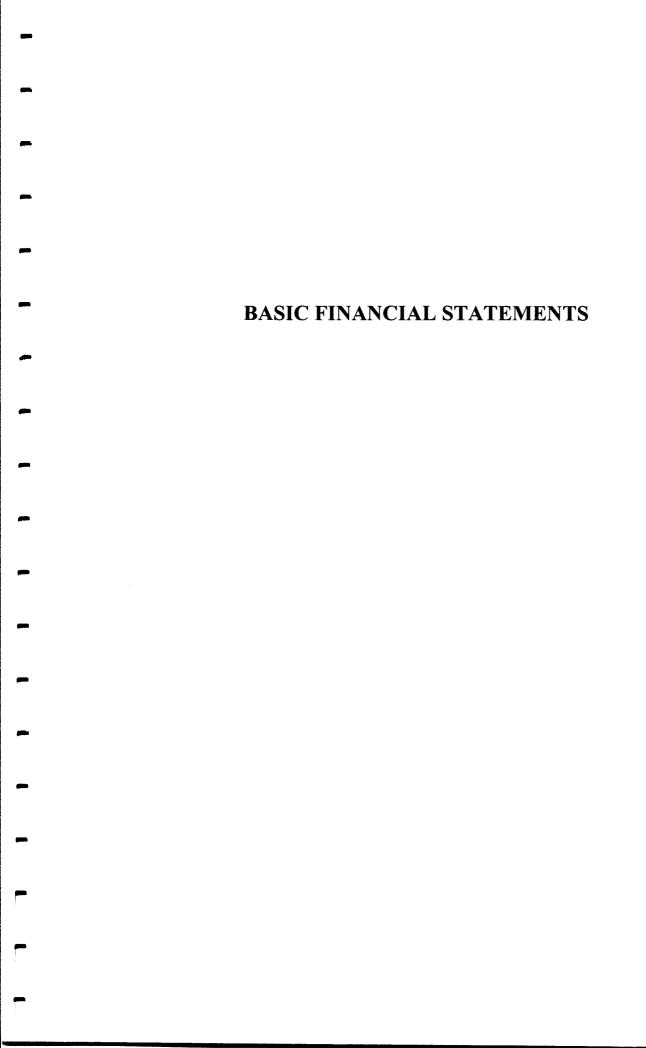
The General, Liquor and Improvement activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance and tax collection.

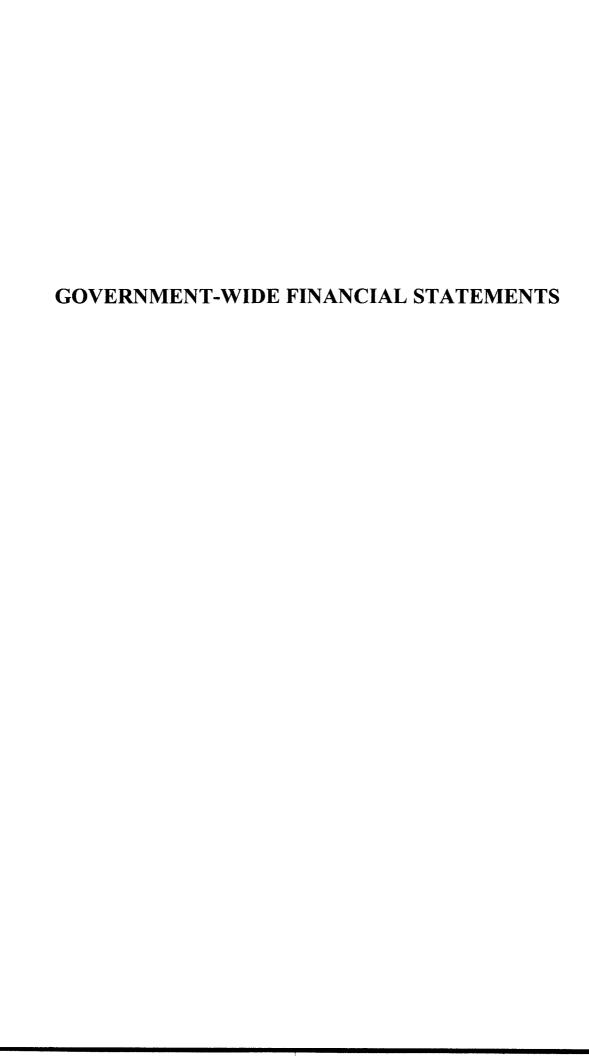
Capital Asset Administration

At March 31, 2005, the Township had \$174,027 in capital assets, including the township hall and office equipment.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 231.436.7453 (Mackinaw Township Hall).





MACKINAW TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2005

ASSETS	GOVERNMENTAL ACTIVITIES
-	
Cash and cash equivalents	\$160,948
Investments	60,755
Taxes receivable	15,405
Accounts receivable	922
Capital assets	174,027
Accumulated depreciation	(23,383)
TOTAL ASSETS	\$388,674
-	
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accrued expenses	\$3,215
NET ASSETS:	
Invested in capital assets	150,644
Unrestricted	234,815
TOTAL NET ASSETS	385,459
TOTAL LIABILITIES	
AND NET ASSETS	\$388,674
<u>-</u> -	

Net (Expense) **Revenue and Changes** in Net Assets Governmental Activities **Capital Grants** and Contributions TOTAL (\$77,057) (12,946)(1,431)(6,000)(97,434) 109,127 21,117 5,269 99 135,612 38,178 347,281

\$385,459

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MACKINAW TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

ASSETS	GENERAL	LIQUOR FUND	IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$157,394	\$1,884	\$409	£1#0 (08
Investments	\$157,394	31,004	60,755	\$159,687
Taxes receivable	15,405	•	00,755	60,755
Accounts receivable	922	-	-	15,405
Due from tax collection fund	1,261	-		922 1,261
TOTAL ASSETS	\$174,982	\$1,884	\$61,164	\$238,030
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued expenses	\$3,215	<u> </u>	s -	\$3,215
FUND BALANCES:				
Reserved for:				
Parks - memorials	286	-	-	286
Designated for:				
Roads	41,426	-	-	41,426
Unreserved - undesignated	130,055	1,884	61,164	193,103
TOTAL FUND BALANCES	171,767	1,884	61,164	234,815
TOTAL LIABILITIES				
AND FUND BALANCES	\$174,982	\$1,884	\$61,164	\$238,030

The accompanying notes are an integral part of these financial statements.

MACKINAW TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2005

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$234,815

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

Add: capital assets

Subtract: accumulated depreciation

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$385,459

MACKINAW TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL FUND	LIQUOR FUND	IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$109,127	\$ -	s -	£100 12#
State shared revenues	20,484	633	. .	\$109,127
Interest	3,552	23	1,694	21,117
Other	99	-		5,269 99
TOTAL REVENUES	133,262	656	1,694	135,612
EXPENDITURES				
Current:				
Legislative	13,758	_		12 ##0
General government	58,081		-	13,758
Public safety	12,231	715	-	58,081
Public works	1,431	,15	-	12,946
Recreation and culture	6,000			1,431 6,000
TOTAL EXPENDITURES	91,501	715	_	92,216
REVENUES OVER (UNDER) EXPENDITURES	41,761	(59)	1,694	43,396
FUND BALANCES, BEGINNING OF YEAR	130,006	1,943	59,470	191,419
UND BALANCES, END OF YEAR	\$171,767	\$1,884	\$61,164	\$234,815

The accompanying notes are an integral part of these financial statements.

MACKINAW TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2005

Subtract: depreciation expense	(5,218)
Add: capital outlay capitalized during the current year	-
of activities.	
are allocated over their useful lives as annual depreciation expense in the statement	
Governmental funds report capital outlays as expenditures. However, those costs	
are different because:	
Amounts reported for governmental activities in the statement of activities	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$43,396
governmental funds to statement of activities	
•	Amounts reported for governmental activities in the statement of activities are different because: Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities. Add: capital outlay capitalized during the current year

MACKINAW TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2005

Cash LIABILITIES Due to other funds NET ASSETS Fiduciary Net Assets \$ 1,261

MACKINAW TOWNSHIP STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND YEAR ENDED MARCH 31, 2005

ADDITIONS	
Property tax collections for other governmental units	\$2,128,139
DEDUCTIONS	
Property tax distributions to other governmental units	2,128,139
Change in Net Assets	-
Fiduciary Net Assets - Beginning of Year	
Fiduciary Net Assets - End of Year	<u> </u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mackinaw Township, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, Mackinaw Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(Continued)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent 10% or more of the respective fund type assets, liabilities, revenues or expenditures. The township considers all funds to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

<u>Liquor Fund</u> - The Liquor Fund represents the liquor law services provided by the township which are financed by state shared revenues.

<u>Improvement Fund</u> - The Improvement Fund is used to account and facilitate the accumulation of funds to make improvements to the township and its property. Financing is provided primarily by transfers from the General Fund and earnings on interest.

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are defined by the government as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements 15-40 years Equipment 5-10 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The township has no long-term obligations as of March 31, 2005.

FUND EQUITY

Reserved fund balances for governmental funds indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

There is no accumulated vacation or sick leave to be recognized.

RESERVES AND DESIGNATIONS

Reserved fund balances indicate that a portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that a portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity which is available for budgeting in future periods.

BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 2: ADOPTION OF DEFICIT BUDGET

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2005, the Township adopted a budget for the Liquor Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$47.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2005, reflected in the accompanying financial statements include property taxes levied December 31, 2004. These taxes are due by February 15, 2005, and are added to the County tax rolls after February 28, 2005. The Township will receive 100% payment for the delinquent Township tax by June, 2005.

The taxable value of the Township totaled \$83,252,517, on which ad valorem taxes consisted of .9063 mills for the Township's operating purposes, raising \$83,896 for operating purposes.

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the combined balance sheet relating to cash and cash equivalents and investments of \$247,026 represents deposits in two financial institutions located in Cheboygan County, Michigan in varying amounts, as follows:

Cash and cash equivalents	\$160,948
Investments	60,755
	\$221,703

At year-end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$101,569 120,134	\$103,663 119,979
	\$221,703	\$223,642

For the year ended March 31, 2005, certificates of deposit of \$60,755 with original maturity of greater than 90 days are recorded in the financial statements as investments.

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United states, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables payables for the year ended March 31, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable	
General	\$1,261	\$ -	
Tax Collection		1,261	
Total	\$1,261	\$1,261	

There were no interfund transfers during the fiscal year.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance			Balance
	April 1, 2004	Additions	Deletions	March 31, 2005
Being depreciated:			***************************************	
Building	\$161,146	\$ -	\$ -	\$161,146
Office equipment	12,881	-	-	12,881
Subtotal	174,027	-	_	174,027
Less accumulated				
depreciation	(18,165)	(5,218)	-	(23,383)
Total	\$155,862	(\$5,218)	<u> </u>	\$150,644

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the Township's functions as follows:

General government

\$5,218

NOTE 7: PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering to all board members which is administered by the Municipal Retirement Systems, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the employees' contribute 7.5% of gross earnings and the Township contributes 7.5% of employees' gross earnings. In accordance with these requirements, the Township contributed \$1,670 and the Township's contract administration charges were \$175 for the year ended March 31, 2005.

NOTE 8: RISK MANAGEMENT

Mackinaw Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of Mackinaw Township. Mackinaw Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$118,000, inland marine of \$21,500, general liability of \$1,000,000, wrongful acts of \$1,000,000, crime of \$10,000 and bonding for public officials errors and omissions. Additionally, Mackinaw Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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•	SUPPLEMENTARY INFORMATION
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MACKINAW TOWNSHIP GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES	•			
Property tax	\$77,000	\$77,000	\$83,896	\$6,896
Collection fees	23,800	23,800	25,231	1,431
TOTAL TAXES	100,800	100,800	109,127	8,327
STATE SHARED REVENUES				
State land tax	2,900	2,900	2,899	(1)
State shared revenues	16,500	16,500	17,585	1,085
TOTAL STATE SHARED REVENUES	19,400	19,400	20,484	1,084
INTEREST INCOME	1,000	1,000	3,552	2,552
OTHER INCOME	7,000	7,000	99	(6,901)
TOTAL REVENUES	\$128,200	\$128,200	\$133,262	\$5,062

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
	DODGET	DODGET	ACTOAL	(NEGATIVE)
LEGISLATIVE				
Township Board:				
Salaries	\$1,700	\$1,700	\$1,509	\$191
Fringe benefits	2,875	2,875	2,298	577
Printing and publishing	1,200	1,200	637	563
Insurance	2,850	2,850	2,848	2
Dues and subscriptions	1,500	1,500	1,365	13:
Professional services	1,450	1,450	1,337	11:
Office supplies	850	850	154	690
Transportation	600	600	581	19
Education and training	2,900	2,900	2,880	20
Other	2,150	2,150	149	2,00
FOTAL LEGISLATIVE	18,075	18,075	13,758	4,31
GENERAL GOVERNMENT				
Township Supervisor:				
Salaries	5,430	5,430	5,430	
Office supplies	350	350	-	350
Communications	50	50	-	50
Transportation	50	50	-	50
Other	50	50		50
Total Supervisor	5,930	5,930	5,430	500
Elections:				
Salaries	1,360	1,360	1,360	
Printing and publishing	265	265	265	
Office supplies	1,040	1,040	843	197
Transportation	131	131	131	
Education and training	85	85	-	85
Other	69	69	-	69
Total Elections	2,950	2,950	2,599	351
Assessor:				
Contracted services	18,000	18,000	18,000	
Office supplies	400	400	320	80
Other	100	100	_	100
Cotal Assessor	18,500	18,500	18,320	180

MACKINAW TOWNSHIP GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT: (Cont'd) Board of Review:				
Salaries	\$1,000	\$1,000	\$950	\$50
Printing and publishing	300	300	3930	300
Education and training	250	250	-	250
Other	50	50		50
Total Board of Review	1,600	1,600	950	650
Clerk:				
Salaries	\$8,927	\$8,927	\$8,927	s -
Office supplies	1,000	1,000	901	99
Communications	50	50	24	26
Transportation	125	125	122	3
Total Clerk	10,102	10,102	9,974	128
Treasurer:				
Salaries	12,035	12,035	11,993	42
Printing and publishing	1,925	1,925	1,625	300
Office supplies	1,375	1,375	997	378
Communications Transportation	38 62	38 62	62	38
Total Treasurer	15,435	15,435		
Total Treasurer	15,435	15,435	14,677	758
Township Hall:	4.000	4.000		
Office supplies Communications	1,000	1,000	311	689
Repairs and maintenance	1,400 4,250	1,400	1,284	116
Utilities	1,850	4,250 1,850	2,632 1,849	1,618 1
Other	100	100	55	45
Total Township Hall	8,600	8,600	6,131	2,469
TOTAL GENERAL GOVERNMENT	63,117	63,117	58,081	5,036
PUBLIC SAFETY				
Ambulance & Fire:				
Contracted services	12,600	12,600		

MACKINAW TOWNSHIP GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES FUND BALANCE - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
PUBLIC WORKS				
Streets and highways:				
Contracted services	\$50,000	\$50,000	\$1,431	\$48,569
RECREATION AND CULTURE				
Library:				
Contracted services	5,300	5,300	5,300	
Recreation:				
Contracted services	2,500	2,500	700	1,800
TOTAL RECREATION AND CULTURE	7,800	7,800	6,000	1,800
OTHER FUNCTIONS				
Contingencies	5,000	5,000	-	5,000
TOTAL EXPENDITURES	156,592	156,592	91,501	65,091
REVENUES OVER (UNDER) EXPENDITURES	(28,392)	(28,392)	41,761	70,153
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	56,000	56,000	-	(56,000)
REVENUES AND OTHER SOURCES OVER				
EXPENDITURES AND OTHER SOURCES	27,608	27,608	41,761	14,153
UND BALANCES, BEGINNING OF YEAR	130,006	130,006	130,006	
UND BALANCES, END OF YEAR	\$157,614	\$157,614	\$171,767	\$14,153

MACKINAW TOWNSHIP LIQUOR FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State shared revenues	\$700	\$700	\$633	(\$67)
Interest income	25	25	23	(2)
TOTAL REVENUES	725	725	656	(69)
EXPENDITURES:				
Public safety	2,715	2,715	715	2,000
TOTAL EXPENDITURES	2,715	2,715	715	2,000
REVENUES OVER (UNDER) EXPENDITURES	(1,990)	(1,990)	(59)	1,931
FUND BALANCES, BEGINNING OF YEAR	1,943	1,943	1,943	
FUND BALANCES, END OF YEAR	(\$47)	(\$47)	\$1,884	\$1,931

MACKINAW TOWNSHIP IMPROVEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING USES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Interest income	\$925	\$925	\$1,694	\$769
TOTAL REVENUES	925	925	1,694	769
EXPENDITURES:				
Public works				e eve space as
TOTAL EXPENDITURES			-	-
REVENUES OVER EXPENDITURES	925	925	1,694	769
OTHER FINANCING SOURCES				
Operating transfers in (out)	(56,000)	(56,000)	-	56,000
REVENUES AND OTHER SOURCES OVER				
EXPENDITURES AND OTHER SOURCES	(55,075)	(55,075)	1,694	56,769
FUND BALANCES, BEGINNING OF YEAR	59,470	59,470	59,470	-
FUND BALANCES, END OF YEAR	\$4,395	\$4,395	\$61,164	\$56,769



Member: American Institute of Certified Public Accountants Micbigan Association of Certified Public Accountants

September 14, 2005

Township Board Mackinaw Township Cheboygan County, Michigan

In planning and performing my audit of the financial statements of *Mackinaw Township*, *Cheboygan County*, *Michigan*, for the year ended March 31, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated September 14, 2005 on the financial statements of *Mackinaw Township*.

Thank you for the opportunity to serve *Mackinaw Township*. I appreciate the assistance I received from the Clerk and Treasurer during my audit. Best wishes in the next year.

Richard E. Mahlmeister, C.P.A.

Sincere

Mackinaw Township Comments & Suggestions September 14, 2005 Page 2 (two)

SEGREGATION OF DUTIES

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect *Mackinaw Township's* ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As in the prior year, the reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Township. This condition is generally inherent in organizations the size of *Mackinaw Township*, where corrective action is not practical, and is not considered to be a material weakness.

BUDGET DEFICIT AND BUDGET ADOPTION PROCEDURES

Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2005, the Township adopted a budget for the Liquor Fund where the budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$47.

I suggest that the Township Board review its budgeting procedures so that it will be ensured that future adopted budgets for the Liquor Fund, as well as other funds, will be balanced in accordance with this Act.